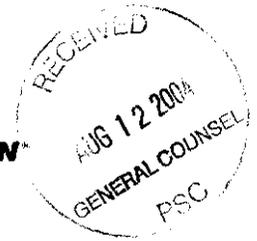


American Electric Power
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PO Box 5190
Frankfort, KY 40602-5190
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Mr. Gerald E. Wuetcher
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RECEIVED

AUG 18 2004

PUBLIC SERVICE
COMMISSION

August 10, 2004

Case 2004-00375

Dear Mr. Wuetcher:

RE: Case No. ~~2000-00495B~~

On October 2, 2002, the Commission issued an Order approving Kentucky Power Company's request to begin calculating a "peaking unit equivalent" pertaining to the recovery of non-economy purchased energy costs. Kentucky Power Company has been using the Columbia Gas Transmission (delivered-Citygate) as published in Platt's Gas Daily for this calculation. The Company has recently learned that Platt's Gas Daily has dropped Columbia Citygate for the foreseeable future. (For reference, please see the enclosed August 2 and August 9 editions of Platt's Gas Daily). Therefore, the Company is requesting to begin using Columbia Gas Appalachia, which is also published in Platt's Gas Daily, and as you can see, is similar to the proxy that the Company has been using.

We request that this change become effective with the August 2, 2004 edition of Platt's Gas Daily.

If you have any questions, please feel free to contact me.

Sincerely yours,

A handwritten signature in black ink that reads 'Errol K. Wagner'.

Errol K. Wagner
Director of Regulatory Services

Enclosures

cc: Jeff Shaw, Kentucky Public Service Commission
Darryl Newby, Kentucky Public Service Commission
Michael Kurtz, Kentucky Industrial Utility Customers

component of North American supply that is currently growing." He forecast that output from the Prima assets will double over the next three years to 100,000 Mcf/day.

Based on an 80% success rate from its own drilling this year and a growing land position, Petro-Canada has raised its North American gas production target for 2004 to 675,000 Mcf/day from 640,000 Mcf/day.

Brenneman also said the company's spending on North American gas exploration and production this year will be raised by more than 25% to \$720 million (all dollar figures Canadian) to pursue attractive opportunities in western Canada, additional investment in Alaska and newly acquired lands in the Colville Hills area of the Mackenzie Valley. About \$40 million of the additional outlay will go toward the Prima operations.

The CEO also said Petro-Canada is "very pleased" with its LNG performance in Trinidad, where second-quarter production reached 71,000 Mcf/day compared with 62,000 Mcf/day a year earlier. Brenneman said a Petro-Canada team is exploring opportunities to add more LNG to the company's long-life assets.

Meanwhile, Petro-Canada reported second-quarter earnings of \$393 million, down 33% from \$584 million earned in the same period of 2003. The firm said the reduction reflects losses on foreign currency translation, asset sales, unrealized hedging for the Buzzard field and a one-month closure of the Oakville, Ontario, refinery.

But second-quarter Canadian gas production rose about 7% to 531,000 Mcf/day from 499,000 Mcf/day a year earlier, the company said. The price it received for that gas also increased, to \$6.91/Mcf from \$6.55/Mcf.

GP

Anadarko, ChevronTexaco profits rise ... from page 1

sank 13% to 2,001 Bcf/day from 2,302 Bcf/day in the same period of 2003. Net U.S. gas sales for the quarter fell nearly 3% to 3.881 Bcf/day from 3.987 Bcf/day, though its average U.S. realized gas price jumped 19% to \$5.59/Mcf.

On a worldwide basis, ChevronTexaco said gas output fell to 4.099 Bcf/day in the second quarter from 4.391 Bcf/day a year earlier.

Meanwhile, the company's net U.S. liquids production during the quarter fell nearly 5% to average 535,000 barrels/day, while domestic sales of natural gas liquids rose nearly 10% to 177,000 barrels/day.

The supermajor's U.S. exploration-and-production segment posted second-quarter net income of \$955 million, up 45% from \$658 million a year ago, while income from continuing operations for the segment totaled \$912 million vs. \$624 million.

ChevronTexaco said much of its financial gain came from its upstream business, where income was \$2.9 billion vs. \$1.26 billion a year earlier. Downstream operating income also rose sharply, to \$1.044 billion from \$438 million.

Chairman and CEO Dave O'Reilly said the company's earnings over the past two quarters have "helped us achieve a 21% return on capital employed for the past 12 months" and said the recently announced 10% increase in its quarterly common-stock dividend "will be immediately followed by a 2-for-1 common-stock split."

O'Reilly noted that ChevronTexaco ended the second quarter with a debt-to-capital ratio of 23% and total cash and marketable securities of more than \$9 billion, up more than \$4 billion from year-end 2003. During the second quarter, the company launched a targeted \$5 billion stock buyback program, repurchasing some \$600 million of common shares in the open market.

Oppenheimer analyst Fadel Ghelt said ChevronTexaco boasted strong results even though, like many companies in its peer group, it posted lower production. "But who cares? The prices took everyone over the top," Ghelt said, adding that the company's quarter was "extremely strong despite lower volumes because of asset sales and field declines."

Houston-based independent Anadarko said its second-quarter profit rose 35% to \$405 million from \$301 million in the second quarter of 2003, driven primarily by higher commodity prices. The company said revenues rose to \$1.44 billion from \$1.25 billion.

Weekly weighted average prices

	07/17-23 2004	07/24-30 2004	+/+
Niagara	6.10	6.25	+18
Northwest, Can. bdr. (Sumas)	5.29	5.40	+11
NOVA, AECO-C	68.48	68.73	C+25
NOVA, same-day	66.57	66.78	C+20
Emerson, Viking GL	5.55	5.67	+12
Dawn, Ontario	6.09	6.23	+14
PG&E-GTNW, Kingsgate	5.35	5.49	+14
Westcoast, station 2*	66.38	66.66	C+27
Appalachee			
Dominion, North Point	—	—	—
Dominion, South Point	6.05	6.20	+16
Ledy Hub	6.37	—	—
Columbia Gas, Appalachia	6.06	6.16	+10
Mississippi-Alabama			
Florida Gas, Mobile Bay	5.93	—	—
Texas Eastern, M-1 (Kosi)	5.91	5.95	+5
Transco, zone 4	5.87	5.95	+8
Others			
Algonquin, receipts	6.10	6.22	+14
SoCal Gas	5.85	5.95	+16
PG&E, south	5.71	5.81	+27
PG&E, Melin	5.54	5.79	+32
Alliance, into interstates	5.78	5.94	+16
ANR, ML 7	6.07	6.16	+16
NGPL, Amarillo receipt	5.66	5.74	+20
NGPL, Iowa-III. receipt	5.75	5.79	+6
Northern, TX-Okla.-Kan.	—	—	—
Northern, Ventura	5.65	5.75	+12
Northern, demand	5.68	5.74	+8
Ducot, Mass.	6.04	6.23	+19
Citygates			
Chicago citygates	5.77	5.93	+22
Consumers Energy citygate	5.86	6.11	+18
Mich. Can citygate	6.03	6.15	+14
PSCo citygate	5.28	—	—
PG&E citygate	5.99	6.23	+30
Northwest, oil citygates	—	—	—
Florida citygates	6.10	6.20	+12
Algonquin, citygates	6.22	6.33	+11
Dominion, delivered	—	—	—
Columbia Gas, delivered	6.28	6.38	+10
Tennessee, zone 5 delivered	6.20	6.31	+11
Tennessee, zone 6 delivered	6.14	6.33	+19
Iraqouis, zone 2	6.23	6.29	+6
Texas Eastern, M-3	6.21	6.32	+13
Transco, zone 5 delivered	6.00	6.11	+11
Transco, zone 6 non-N.Y.	6.20	6.29	+11
Transco, zone 6 N.Y.	6.29	6.30	+3

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Western Canadian cash markets, which had managed to hold their ground for Friday's flow, tumbled going into the weekend as well. Westcoast Energy's station 2, which had gone its own way Thursday to move up about a nickel, lost nearly four times that amount on Friday to average in the C\$6.30s/GJ. The AECO-C Hub in Alberta posted around a C15-cent loss on Friday to average in the high C\$6.20s/GJ.

Downstream points didn't manage to find much support in temperatures about five to six degrees above normal in Seattle and Portland, Oregon.

Southwest cash lost even more ground on Friday, dropping between 5 cents and 10 cents. In the California markets, temperatures across the state ranged from two to five degrees above normal, with highs in the Los Angeles area forecast in the mid-90s for the weekend. But the heat wasn't enough to stop the Pacific Gas and Electric city-gates from shedding a dime to average in the mid-\$.80s/MMBtu, about a 7% drop from last weekend.

The production basins marched in step with other regional markets, with Permian Basin cash dropping a nickel or so by the end of trading. San Juan Basin cash ticked down about a dime.

Gulf Coast cash prices made another move down Friday, with most trading points coming off more than a dime. According to forecasts, the recent weather pattern that caused temperatures to flirt with the triple-digit mark has moderated, and daily highs in the low 90s were expected across the region for much of the weekend.

In Texas, the sizzling temperatures that covered the state most of the week abated somewhat, with forecasts calling for highs in the low 90s. That sent Houston-area points down a dime or so along with the rest of the Gulf Coast market.

Northeast cash prices made another move to the downside Friday after already low demand fell even more due to the usual decline in industrial load over the weekend. That sent prices in the region as much as 13 cents or so under Thursday's averages.

The weakening NYMEX, combined with forecasts for temperatures peaking in the low to mid-70s, left supply holders bereft of any technical or fundamental drivers to support the cash market, as Appalachian prices shed around a dime. The story was much the same in the upper Midwest, as most prices there fell between 7 cents and 11 cents.

But in the Midcontinent, weather forecasts for Oklahoma City and Tulsa, Okla., called for temperatures to climb back into the 90s over the weekend. The anticipation of some cooling load as a result helped stem Midcontinent losses to about 2 to 10 cents.

—Market Staff Reports

September NYMEX tanks 12.4 cents

The September NYMEX gas futures contract toppled ahead of the weekend as mild weather, ample storage and little threat on the horizon from tropical storms sank prices 12.4 cents to a \$5.588/MMBtu settlement Friday, sources said.

"We're mostly looking at cooler weather in the Northeast and overall," a NYMEX floor trader said. Many weather forecasts are calling for mild weather through at least the first half of August for much of the country. "The weather [derivatives] markets are trading a little colder for August. That could be weighing on the natural gas market," said an analyst who tracks the relationship between gas and weather derivatives trading.

The September gas contract held largely in the \$5.60s throughout the morning and reached as high as \$5.685. While the market stayed firmly above \$5.60 for the majority of the day, a late burst of selling just ahead of the closing bell dropped prices to the day's low of \$5.57.

One analyst said the modestly downgraded hurricane report released Friday by Colorado State University hurricane forecaster Dr. William Gray put further pressure on prices (see related story, page 1).

Beyond the weekend, a NYMEX trader said he believed the gas market would continue to inch lower as long as weather forecasts remained cool. Meanwhile, another analyst surmised that "next week will depend on what crude does, but it seems like we've taken a very bearish stance in the energy markets."

JMM

Daily price survey (\$/MMBtu)

Trans. date:	8/06					
Flow date(s):	8/07-09					
Bookies	Midpoint	Absolute	Common	Volume	Deals	
CIG, Rocky Mountains	5.105	5.07-5.16	5.08-5.13	34	12	
Kern River, Opal plant	5.190	5.16-5.22	5.17-5.21	174	34	
Stanfield, Ore.	5.300	5.29-5.33	5.29-5.31	103	13	
Quester, Rocky Mountains	5.030	5.01-5.05	5.02-5.04	17	4	
Cheyenne Hub	5.160	5.16-5.16	5.16-5.16	5	1	
Northwest, Wyo. Pool	5.150	5.10-5.18	5.13-5.17	191	38	
Northwest, s. of Green River	5.145	5.13-5.16	5.14-5.15	38	8	

Canadian Gas						
Iroquois, receipts	5.695	5.62-5.82	5.64-5.75	138	19	
Niagara	5.750	5.69-5.82	5.72-5.78	255	33	
Northwest, Can. bdr. (Sumas)	5.225	5.20-5.24	5.21-5.24	322	54	
TQPL Alberta, AECO-C*	C6.305	C6.29-6.36	C6.29-6.32	224	19	
Emerson, Viking GL	5.390	5.37-5.45	5.37-5.41	102	14	
Dawn, Ontario	5.740	5.70-5.78	5.72-5.76	747	71	
GTN, Gngagele	5.220	5.22-5.22	5.22-5.22	20	4	
Westcoast, station 2*	C6.330	C6.30-6.35	C6.32-6.34	87	17	

Appalachia						
Dominion, North Point					0	
Dominion, South Point	5.705	5.60-5.80	5.65-5.78	274	47	
Laidy Hub					0	
Columbia Gas, Appalachia	5.695	5.59-5.84	5.63-5.76	358	56	

Midcontinent-Alabamas						
Florida Gas, Mobile Bay	5.385	5.38-5.39	5.38-5.39	10	1	
Texas Eastern, M-1 (Kosi)	5.410	5.33-5.65	5.33-5.49	86	16	
Transco, zone 4	5.390	5.37-5.45	5.37-5.41	40	9	

Others						
Algonquin, receipts	5.660	5.65-5.55	5.55-5.56	9	1	
SoCal Gas	5.540	5.50-5.60	5.51-5.57	843	70	
PG&E, South	5.530	5.49-5.58	5.51-5.55	279	26	
PG&E, Main	5.415	5.40-5.45	5.40-5.43	219	31	
Alliance, into interstates	5.500	5.47-5.58	5.48-5.52	63	11	
ANR, ML 7	5.760	5.76-5.80	5.78-5.77	4	2	
NGPL, Amarillo receipt	5.315	5.27-5.40	5.28-5.35	31	7	
Northern, Ventura	5.430	5.32-5.49	5.39-5.47	96	14	
Northern, demand	5.390	5.30-5.50	5.34-5.44	98	15	
Dracut, Mass.	5.600	5.52-5.80	5.53-5.67	140	16	

Citygates						
Chicago citygates	5.515	5.43-5.60	5.47-5.56	603	75	
Consumers Energy citygate	5.650	5.59-5.75	5.61-5.69	118	24	
Mich Con citygate	5.740	5.70-5.79	5.72-5.76	287	47	
PG&E citygate	5.840	5.80-5.90	5.81-5.87	331	38	
Florida citygates	5.810	5.81-5.81	5.81-5.81	2	1	
Algonquin, citygates	5.745	5.68-5.80	5.71-5.78	69	16	
Tennessee, zone 6 delivered	5.650	5.60-5.83	5.60-5.70	95	11	
Iroquois, zone 2	5.725	5.60-5.82	5.67-5.78	105	18	
Texas Eastern, M-3	5.740	5.68-5.88	5.68-5.80	282	65	
Transco, zone 5 delivered	5.485	5.44-5.68	5.44-5.53	126	15	
Transco, zone 6 non-N.Y.	5.715	5.61-5.86	5.66-5.78	150	29	
Transco, zone 6 N.Y.	5.735	5.65-5.90	5.67-5.80	306	60	

*NOTE: Price in C\$ per GJ; C\$1=US\$0.7635
 Volume in 000 MMBtu/day
 For methodology, visit <http://www.platts.com/NaturalGas/Resources/Methodology&Specifications/>

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